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C O N F I D E N T I A L SEOUL 003922

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DEPARTMENT PASS TO EAP A/S HILL AND EAP/K DIRECTOR KIM AT  
APEC IN HANOI

E.O. 12958: DECL: 11/13/2016

TAGS: [PARM](#) [PREL](#) [MNUC](#) [KNNP](#) [KN](#) [KS](#)

SUBJECT: SCENESETTER FOR U.S.- ROK MINISTERIAL AT APEC

Classified By: AMB. ALEXANDER VERSHBOW. REASONS 1.4 (b/d)

¶1. (C) Madam Secretary: Your November 18 meeting with South Korean National Security Advisor and Foreign Minister-designate Song Min-soon comes as the Republic of Korea (ROK) has entered a period of significant transition. In the foreign policy arena, change began with the October 9 DPRK nuclear test. It will end when a new South Korean president comes to power in little more than a year's time and establishes his/her policy direction. In the interim, President Roh has appointed a new national security team and begun to readjust (albeit reluctantly) his North-South policy in response to Pyongyang's provocation and the will of the international community. I would like to highlight some of the more important challenges and opportunities this presents to the U.S.-ROK relationship.

-- The October 9 North Korean nuclear test prompted a domestic reassessment of South Korea's engagement policy with the North; a process that has only just begun, and is being resisted by current ROK leadership, but one that will likely lead to a less forward-leaning and more conditional approach toward Pyongyang. I highly recommend you encourage FM-designate Song to engage in that rethinking.

-- North Korea's provocative actions have reminded the Korean people of the continued value of the U.S.-ROK Alliance. Simultaneously, a highly contentious debate over the transfer of wartime operational control (OPCON) has caused many to question the long-term commitment of the United States to its ally. You can alleviate that concern by assuring we remain fully committed to the defense of South Korea, while at the same time encouraging the ROK to demonstrate its commitment to us by moving forward on military transformation without further delay, and by accepting a 50/50 share in the non-personnel stationing costs for U.S. Forces Korea (USFK).

-- In addition to seeking reaffirmation of the Alliance, FM-designate Song will want to explore with you a diplomatic way ahead for Six-Party talks, to prevent further destabilization of the situation on the Korean Peninsula. He will above all be interested in consulting closely with you on the "early harvest" aspect of the approach the U.S. delegation will bring to the next round of the Six-Party Talks.

-- While not a part of our foreign policy agenda, South Korean domestic politics is also undergoing a state of transition that will impact U.S.-ROK relations in the lead up to the 2007 ROK presidential election. President Roh

currently has an approval rating of only 12 percent, and has come under heavy fire for both his failed engagement policy towards the North, and for doing damage to ROK relations with Washington by deliberately appealing at times to anti-American sentiment. FM-designate Song added to that problem last month when he appeared to fault the United States for engaging in more wars than any other country. A good response to that would be to remind him of the constructive role the United States has played in the modern history of South Korean development, note the important democratic principles shared by our two governments, and hold out the prospects for the warmer relations that would accompany a Korea-U.S. Free Trade Agreement and admission of the ROK into the U.S. visa waiver program.

-- Your meeting also provides an opportunity to highlight and encourage the continuation of valuable ROK contributions around the world, as was highlighted by the President during his September 2006 summit meeting with President Roh. These include the South Korean troop dispatch to Iraq, ROK willingness to lead a Regional Reconstruction Team (RRT) in Irbil, the transition of ROK engineers and medical personnel under NATO command in Afghanistan, as well as an upcoming decision by the ROKG to make a sizable troop contribution to the UNIFIL peacekeeping effort in Lebanon.

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SUNSHINE POLICY SHAKEN, BUT NOT YET STIRRED  
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12. (C) The South Korean government was understandably shaken by the news of the DPRK nuclear test. Speaking to the nation that day, President Roh was typically frank, airing deep personal doubts about the viability of his engagement policy.

He said it would be difficult to maintain his "Peace and Prosperity" policy in the aftermath of the test, because South Korea could not "have patience on everything, make concessions on everything, and accept everything that the North does." Since that day, however, and despite strong criticism of his failed policy from conservative opponents and the mainstream media, Roh has refused to apply sanctions consistent with the strong tone of his condemnation of the test. While many called on Roh to fire his national security team, he has instead opted to name his leading foreign policy advisor -- Song Min-soon -- to replace Ban Ki-moon as foreign minister. Then, on November 13, the ROKG made three rather disappointing announcements indicating after careful review that it would make only minor adjustments to its North-South policy, would support the letter (but hardly the spirit) of UNSCR 1695 and 1718, and would "support" but not "endorse" PSI. These decisions clearly demonstrate President Roh's desire to try and salvage, rather than overhaul, his engagement policy towards the North.

13. (C) Immediately after the nuclear test, the ROK announced it was reviewing the entire engagement policy. As a first, minor adjustment, the Roh government suspended emergency shipments of cement and food that it had offered the DPRK after the serious floods in the North in July. It also decided to continue to suspend shipments of routine humanitarian aid announced after the missile launches in July, and totaling over a hundred million dollars. The real debate, however, came down to what to do about the two flagship engagement policy projects -- the Kaesong Industrial Complex (KIC) and the Mount Kumgang tourism project. As you are aware, these two projects vary considerably in terms of financial benefits to the DPRK regime:

-- The Kaesong Industrial Complex, launched in 2002, houses 13 South Korean companies, employs more than 9,000 North Koreans with the goal of introducing free-market economics into the DPRK. It is estimated to bring the DPRK regime roughly USD 150,000 per month in revenue, largely from the DPRK government's "cut" of the salaries paid to KIC workers.

-- The Mt. Kumgang tourist area, since its launch in 1998, has attracted more than one million South Korean visitors to an enclave in which there is virtually no real contact

between South and North Korean citizens. It earns the DPRK government a much more significant USD 1 million per month.

Given UNSCR 1718's narrow focus on WMD and WMD-related financing, however, the Roh Administration has argued that there is no requirement for them to freeze or curtail activities at either Kaesong or Mt. Kumgang. You may wish to once again stress our case that a literal, minimalist interpretation of UNSCR 1718 fails to send the proper message to Pyongyang, and that Seoul should, at a minimum, cut back on the cash-cow Mt. Kumgang project.

14. (C) Despite the Roh Administration's efforts to justify continued engagement with the North, deep division over the efficacy of that policy is clearly evident within the government, and throughout Korean society as a whole. The powerful Ministry of Unification (MOU), which oversees all aspects of the engagement policy, alongside members of the ruling Uri Party, strongly oppose abandoning, or even scaling back, North-South cooperation. Meanwhile, the Ministry of Foreign Affairs and Trade (MOFAT), Ministry of National Defense (MND), and National Intelligence Service (NIS) have argued for an immediate freeze of engagement projects so as to send a strong signal to the DPRK and the international community. Embassy contacts have confirmed that a fierce inter-agency domestic political battle has consumed the government over the past month at the highest levels. In response to this deep political divide, the South Korean government has, at long last, begun a serious reassessment of its engagement policy with the North. While it is a process that has only just begun, it will continue throughout the upcoming ROK presidential campaign, most likely leading toward a less forward-leaning, more conditional approach toward Pyongyang in the future.

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POLITICAL COMPROMISE ON PSI  
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15. (C) Whether to fully endorse the Proliferation Security Initiative (PSI) has also been hotly debated within the ROK government since the October DPRK nuclear test. To date, the Koreans have been participating on a selective basis as an observer in certain PSI activities, but have declined to endorse the Statement of Interdiction Principles. Efforts by then-Foreign Minister Ban Ki-moon, and Foreign Minister-designate Song to bring the ROKG to endorse PSI have met with a hostile reaction from members of the ruling Uri party, led by Party Chairman Kim Geun-tae, who has falsely alleged that joining PSI would require the ROK to engage in a Cuban Missile Crisis-like naval blockade of the North, breaking the Armistice and possibly triggering a war. Efforts made to counter this misinformation have gained back some ground, but the government remains reluctant to engage in a bloody domestic political battle over the issue.

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RESPOND TO THE NORTH BY SHORING UP THE ALLIANCE  
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16. (C) While the Roh Administration fights a rear-guard action to rescue its besieged engagement policy, there is widespread agreement in Seoul that the U.S.-ROK Alliance is more necessary than ever to South Korean national security interests; so necessary, the USG push for early transfer of wartime operational control has prompted a backlash from many segments of Korean society concerned that OPCON transfer will lead to a diminished U.S. commitment to defend the ROK. While you will find it difficult to persuade FM-designate Song to change his thinking on the engagement policy, you may find him more receptive to arguments that shoring up the U.S.-ROK Alliance constitutes an important and appropriate response to provocative behavior by the North. Following up on the October Security Consultative Meeting (SCM) in Washington, it would be particularly helpful to USFK if you were to urge the ROK to demonstrate its support for the Alliance by moving forward with us on military transformation, and by agreeing to pay a 50 percent share of USFK's non-personnel stationing costs. In turn, you can

greatly alleviate the security concerns of the Korean people by assuring we remain fully committed to the defense of South Korea.

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THE WAY AHEAD ON SIX-PARTY TALKS  
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¶17. (C) As National Security Advisor to President Roh, and now his Foreign Minister-designate, Song Min-soon is regarded as President-Roh's closest advisor on South Korean foreign policy issues in general, and the North-South policy in particular. I recommend you use your meeting with him to forge closer cooperation on encouraging the DPRK to begin the process of implementing the September 2005 Joint Statement. The South Koreans are with us on the need to send a strong message to Pyongyang, but want to synchronize sanctions with diplomacy. Song could be an important ally in delivering the message to the North that it would be far wiser for Pyongyang to choose the beneficial path ahead outlined in the joint statement, than to continue on the road of sanctions and international condemnation. You should make clear to Song that the ROKG, whose reaction to the October 9 test has so far been disappointing, needs to be prepared to put its inter-Korean engagement policy on the line in order to test the North Koreans' claim that it remains committed to giving up its nuclear programs. Song should be encouraged to make that clear to Pyongyang as well.

¶18. (C) You will find Song eager to focus your discussion on achieving a diplomatic solution through the provision of carrots to the DPRK. However, you can remind him that it was the brandishing of the stick -- UNSCR 1695 and 1718 -- that did far more than South Korean generosity or Chinese patience to convince the DPRK to return to the talks. He will agree that in light of the DPRK nuclear test it is not enough simply for the North Koreans to return to the talks with the same old demands. Rather, the United States, South Korea, and our other partners at the Six-Party process need to focus on the initial steps required of Pyongyang to reverse the course of North Korean nuclearization.

¶19. (C) As National Security Advisor, Song shared with us his preferred diplomatic approach. He recognized that in the aftermath of the nuclear test the DPRK would need to "front-load" its side of any deal aimed at restarting the Six Party Talks. In his view, the key elements would be:

-- Commitments by North Korea to establish a new moratorium on missile launches and nuclear tests upon resumption of the Six Party Talks, as well as reaffirmation of the September 2005 Joint Statement and the 1992 North-South Declaration on Denuclearization.

-- Agreement by North Korea to suspend operation of the Yongbyon 5-megawatt reactor and invite IAEA inspectors at a very early stage after the resumption of the Six Party Talks, and to implement the rest of the Joint Statement on an accelerated basis.

-- Corresponding agreement by the U.S. to address the frozen DPRK accounts in Banco Delta Asia and hold bilateral discussions on financial matters within the context of the renewed Six Party Talks, as discussed in our earlier consultations with the ROK.

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FOCUS ON A BRIGHT FUTURE  
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¶10. (C) While North Korea remains one of your greatest foreign policy challenges, U.S.-ROK relations are by-and-large a good news story. In less than a generation, the South Korean people have transformed their country from an underdeveloped authoritarian regime to a full-fledged democracy with the world's 11th-largest economy and home to the next UN Secretary General. What has not changed, however, is the deep importance the overwhelming (albeit too

often silent) majority of South Koreans attach to their nation's relationship with the United States, as evidenced by numerous opinion polls. Madam Secretary, these Koreans will look to you to reaffirm our commitment to defend South Korea. They also will support efforts to forge a more unified diplomatic approach to the North.

¶11. (C) President Roh has earned his abysmally low 12 percent approval rating by, among other things, doing damage to relations with Washington by playing to anti-American sentiments. This makes the Korean people nervous at a time when they have rediscovered their need for that alliance. Song mimicked Roh's destructive tendency several weeks ago when he appeared to blame the United States for engaging in more wars than any other country. An appropriate response would be to remind him of the constructive role the United States has played in the modern history of South Korean development, note the important democratic principles shared by our two governments, and hold out the prospects for the still warmer relations that would evolve from a Korea-U.S. Free Trade Agreement and admission of the ROK into the U.S. visa waiver program.

¶12. (C) Finally, your meeting provides an excellent opportunity to follow up on the President's comments at the September summit, and Under Secretary Nick Burns' strategic dialogue with the ROKG on November 7, both of which highlighted and encouraged continuation of valuable ROK contributions around the world. These include the Zaytun troop dispatch to Iraq (the third largest contingent there), ROK willingness to lead a Regional Reconstruction Team (RRT) in Irbil, the transition of ROK engineers and medical personnel under NATO command in Afghanistan, and most recently, their pending decision to send a sizable contribution of ROK troops to the ongoing UNIFIL peacekeeping effort in Lebanon. I encourage you to end your meeting with FM-designate Song by highlighting these very positive aspects of our larger relationship, for despite some difficulties in the Alliance, we enjoy a more mutually-beneficial relationship with the ROK than with almost any other country in the world.

VERSHBOW